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## Budgeting in State Government: The Case of South Carolina\*

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A budget is, most basically, a statement of planned expenditures that commits financial resources to the proposed activities of the person or institution making the budget. Since budgets normally must be designed to remain within the limits of available resources, the making of budgets necessarily involves the making of choices. In cases where the cost of proposed activities exceeds the resources available for allocation, some of those activities may have to be curtailed or eliminated. Often the 'wants' of the budget-makers must be separated from legitimate needs, and expenditures for the former eliminated, or postponed until additional sources of income can be obtained. When the shortage of resources is severe, even legitimate needs may sometimes have to be ordered, and those needs with a lower order of urgency given a relatively smaller share of the available money.

Budgeting in the public sector involves all of these difficulties. As agents of the public in the allocation of public funds, government budget-makers must distribute resources among competing claims in a manner that is both financially sound and politically palatable. When budgetary claims exceed the resources available, the job of the government budget-maker is a difficult one indeed. Though the increasingly "uncontrollable" nature of government budgets may have reduced the policy formulation role of budget-makers in recent years,<sup>1</sup> a government's budget is still the best place to look for its answer to Harold Lasswell's question, "Who gets what, when, and how?"<sup>2</sup> A government's budget tells us, in graphic form, how that government's priorities have been established. In Aaron Wildavsky's terms, "If one asks, 'Who gets what the government has to give?', then the answers for a moment in time are recorded in the budget."<sup>3</sup>

This study deals with the budgetary process in South Carolina, and examines the financial and political dynamics of the way that state's budget is made. In one sense, of course, such a narrow focus limits our discussion and makes us reluctant to generalize about our findings. The single case study approach, however, has its advantages. By focusing on South Carolina, we deal with a classic budgeting choice situation. Unlike the federal government, South Carolina is prohibited (by Article X, Section 2 of the State Constitution) from engaging in deficit spending. Its budget makers, then, are

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<sup>1</sup> In recent years, increasingly large percentages of government budgets have become 'immune' from the control of the formal budgetary (or appropriations) process. This has resulted from the fact that an ever-larger portion of government budgets is currently being allotted to entitlement programs, retirement payments to public employees, and other budget items whose costs are determined by a combination of authorizing legislation and demographics. In the federal budget for fiscal year 1976, it is estimated that seventy-five percent of the expenditures are 'uncontrollable' in this sense (up from sixty percent in 1967), and a recent Budget and Control Board estimate indicated that approximately fifty percent of the state's budget is committed in this manner.

<sup>2</sup> Harold Lasswell, *Politics: Who Gets What, When, and How?* (New York: Peter Smith, 1950).

<sup>3</sup> Aaron Wildavsky, *The Politics of the Budgetary Process* (Boston: Little, Brown and Co., 1964), p. 4.

faced with the hardest of political choices — reconciling citizen claims for *finite* public resources. Unlike the federal government, South Carolina can not borrow money from its citizens<sup>4</sup> to create budget deficits and thus give itself 'room' to move in attempting to mediate competing requests for budget dollars. The climate created by this situation is one in which an extra dollar given to claim (or agency) A necessitates that a dollar be taken away from claim (or agency) B. The political volatility of this situation is obvious.

Another advantage to the single state study is the opportunity it affords to examine the subject in depth, and to make the kinds of year-to-year and agency-to-agency comparisons that can be extremely useful, but are often impractical in studies of larger scope. The questions posed by this study, in fact, lend themselves to exploration in the single state format. Before beginning a discussion of those questions, a brief discussion of the mechanical and chronological aspects of South Carolina's budgetary process is in order.

### *The Budget-Making Process*

Though a host of popular, political, fiscal, and financial factors converge on, and ultimately affect the South Carolina budget, this analysis focuses on the three major actors in the process: the executive departments and agencies making budget requests, the State Budget and Control Board, and the State Legislature. For analytical purposes, it is best to view the executive departments as claimants in the budgetary process — each petitioning the state, on behalf of their programs and constituencies, for what they feel is their rightful share of budget dollars. The Budget and Control Board (BCB) and the legislature should be considered budget-makers, though our analysis will reveal that the executive departments, by adoption of certain strategies, can themselves exert control over their budget shares and are in at least an indirect sense, 'decision-makers' in matters of state budgeting.

In July of each year, South Carolina's executive department heads and their respective budget officers are called to a meeting hosted by BCB, where revenue projections for the upcoming year are discussed and technical instructions are issued to the departments for the preparation of their budgets, which must themselves be submitted to BCB by September 15. Each department's budget request must include that department's organization chart and a description of its activities. Its budget request for the upcoming year must obviously be included, as must comparative figures for the two previous fiscal years. Since South Carolina does not practice 'zero-based' budgeting, only that portion of the budget which represents an increase over last year's appropriation tends to be justified and defended in detail.

Between September 15 and the end of the calendar year, the financial fate of the state's executive departments is in the hands of the Budget and Control Board. The South Carolina Budget and Control Board has an impressive array of formal powers. It is unique in the structure of South Carolina government in the sense that it 'belongs' to both the executive and legislative branches. Its members include the Governor (its chairman), the State Treasurer, the Comptroller General (both of whom are elected officials) and the respective chairmen of the House Committee on Ways and Means and the Senate Committee on Finance. The Board's Executive Secretary, the State Auditor, supervises the professional staff.

<sup>4</sup> The State Government of South Carolina is empowered to 'borrow' money for capital improvements. No personal services, operating costs, etc., can be paid for with these borrowed monies. Additionally, Section 20 of the General Appropriations Act of 1975-76 places a five percent limit on the portion of the state's budget which can be spent on debt service. Thus the state is doubly limited: borrowing can be undertaken only to finance capital improvements, and it must be limited to an amount small enough so that debt service constitutes less than five percent of the state's budget.



Like its counterpart on the federal level, the Office of Management and Budgeting,<sup>5</sup> BCB has the responsibility of screening, pruning, and coordinating the executive departments' budget requests prior to their submission to the legislature. This is accomplished in open session and in staff consultation between September 15 and the end of each calendar year. BCB also has responsibility for ensuring that departmental budgets are prepared in the proper manner, and for making the estimated revenue predictions necessary to produce a 'balanced' budget.

To accomplish its many tasks, BCB is split into six Divisions, the most important of which, for budgetary purposes, are the Finance Division and the Research/Statistical Division.<sup>6</sup> Very briefly it is the responsibility of the Research/Statistical Division to estimate revenues for the upcoming fiscal year, and of the Finance Division to assist the BCB members in preparing the actual budget document in accord with the estimated revenues. Phrased another way, the Research/Statistical Division sets the parameters of debate by defining the projected size of the 'pie,' and, once the size of the 'pie' is determined, the Finance Division assists the Board members in 'slicing' it up, or setting the state's financial priorities.

Once BCB has received the departments' budget requests, heard justifications of those requests in open session, and (assisted by professional staff members from the Finance and Research/Statistical Divisions) made its decisions as to how the states anticipated revenues are to be allocated, the budget document itself is printed and presented to the House of Representatives, where it is referred to the Committee on Ways and Means. Unlike the federal budget, which is always divided into a number of appropriations bills, the South Carolina budget is treated as a single entity, and considered as a single General Appropriations Bill. The department request, in addition to the BCB recommendation, is included in the document. Passage in the House of Representatives is followed by consideration in the Senate, where the bill is assigned to the Committee on Finance. As with other legislation, a Conference Committee attempts to iron out any House/Senate differences. The normal consideration period for the bill is four to five months after its submission (usually in January) though provisions exist for the passage of continuing resolutions in the event that debate has not ended by the beginning of the new fiscal year. Indicative of the broad formal powers of the BCB is the fact that all legislative appropriations are considered 'maximums' and are subject to reduction by the BCB if that body has evidence to suggest that revenue collections are falling below revenue estimates, and that continued spending at appropriated levels would result in a budget deficit.<sup>7</sup> Figure 1 describes the chronology of South Carolina's budget process.

While narratives and flow charts are useful in helping us to understand the fundamentals of the state budgeting, we seek to go beyond these descriptions to answer questions on a number of fronts. It is important, for example, for us to know if the State Budget and Control Board has in reality the influence in budgeting matters that its statutory authorities would indicate. It is also important to know how much (if

<sup>5</sup> Use of the term 'counterpart' may be too strong here. In many ways, BCB and OMB are very different organisms. OMB is, of course, an exclusively executive agency, with a Director appointed by the President and a large professional staff. It has functions which BCB does not (e.g., legislative clearance), and it lacks some of the powers and functional responsibilities which BCB possesses (e.g., personnel and retirement policies).

<sup>6</sup> The other four Divisions of the Budget and Control Board are General Services, Personnel, State Retirement, and a new division concerned with supervision and control of the State's motor vehicles.

<sup>7</sup> The similarity between this situation and that of Presidential "impoundment" at the federal level is obvious, but the differences between the two situations deserves some comment. The crucial difference, from the point of view of political conflict, is that BCB's actions at the state level are not as threatening to the legislature since the legislature is represented on BCB itself — a situation which, of course, does not obtain when a President, in concern with OMB, decides to impound Congressionally appropriated funds.

any) influence is exerted over the budget by the state legislature. Perhaps most of all, it is important to understand the role which the executive departments' own budgeting strategies play in their eventual budgetary success. If the final budget outcome is viewed, as we consider it here, as the 'dependent' variable, it is important to understand which of the host of 'independent' variables affecting it are most influential in determining its eventual shape and size.

*Agency Acquisitiveness, BCB Support for Expansion, and Agency Budget Expansion Success*

For good or ill, one of the most significant characteristics of state budgets in recent years has been their steadily increasing size.<sup>8</sup> This growth in the magnitude of state budgets is frequently a major concern of citizens and their elected officials. Budgetary growth is also a matter of great importance to state agencies which are concerned with their own funding levels and which usually demonstrate a desire for continued growth.<sup>9</sup> With these considerations in mind, we have adopted agency budget expansion success as the dependent variable for this study. By focusing on budget expansion success, we have selected a variable which is of importance to a wide variety of political and governmental actors.

Agency budget expansion success refers to the degree to which an agency is successful in obtaining a higher level of funding for the coming budget period than the agency enjoyed in the previous budget year. For the purposes of this study, budget expansion success is defined as the percentage of the current year's budget appropriated by the legislature for the coming budget period. A budget expansion success score of 110 would mean that the legislature appropriated 110 percent of the previous year's expenditure level for the particular agency examined.

While the final determination of agency budget expansion success is made by the legislature, studies of the budgetary process in the American states indicate that legislative decisions are influenced substantially by non-legislative actors such as specialized budget review groups and individual state agencies.<sup>10</sup> Two factors which have been found to affect legislative decisions substantially are the type of budget strategy adopted by individual agencies and gubernatorial support for agency budget expansion. Given the thrust of these prior research efforts, an examination of the degree to which agency budget expansion success in South Carolina is associated with these two variables appears to be a logical point at which to begin an examination of the South Carolina budgetary process.

In submitting a budget request, state agencies may pursue strategies ranging from conservative requests only slightly higher than their previous appropriations to acquisitive requests substantially higher than their past levels of funding. Operationally, agency acquisitiveness is defined as the agency's request for the coming budget period as a percentage of current expenditures. A score of 130 on this index indicates that the agency requested 130 percent of its current expenditures for the approaching budget period or an increase of 30 percent.

The bulk of research concerned with the budgetary process has emphasized the efficacy of acquisitive budget strategies for the achievement of budget expansion

<sup>8</sup> In 1969, state government expenditures from their own funds totaled 12.9 billion dollars. By 1974, estimated state government expenditures from their own funds had reached 81.0 billion dollars. See Advisory Council on Intergovernmental Relations, *Trends in Fiscal Federalism, 1954-1974*, February, 1975, p. 17.

<sup>9</sup> See Deil S. Wright, "Executive Leadership in State Administration," *Midwest Journal of Political Science*, 11 (February, 1967), pp. 1-26.

<sup>10</sup> For a comparative state analysis of the impact of non-legislative actors on legislative budget decisions, see Ira Sharkansky, "Agency Requests, Gubernatorial Support and Budget Success in State Legislatures," *American Political Science Review*, 62 (December, 1968), pp. 1220-1231.



success.<sup>11</sup> The general finding is that while acquisitive budget requests are subjected to relatively severe short-term cuts, the magnitude of those cuts is not sufficient to reduce the growth rates of acquisitive agencies to the levels realized by nonacquisitive agencies. In terms of budget expansion success, the existing literature indicates that the acquisitive agency is in an advantageous position.

Once agency requests have been made and agency budget strategy determined, the budgetary process usually provides for a review of agency requests by an intermediate actor. As discussed earlier, the Budget and Control Board plays this intermediate role in South Carolina. For a wide variety of reasons, the recommendations of a specialized, professional budget review agency such as BCB can be expected to have a strong influence on the final decisions of the South Carolina legislature. State budget documents are highly complex and confront decision-makers with difficult decisions. In such an atmosphere of uncertainty and complexity, legislators naturally look for convenient decision cues or reference points in their attempts to ease the task of decision-making.<sup>12</sup> The recommendations of BCB offer legislators these important reference points. As a result, it is logical to expect legislative support for agency budget expansion to be influenced at least to some degree by the extent of BCB support for expansion. BCB support for expansion is defined as the BCB's recommendation for an agency as a percentage of the agency's existing appropriations level. A score of 105 on this index indicates that the BCB recommended 105 percent of the current operating budget for the coming fiscal period or an increase of 5 percent.

Fortunately, South Carolina budget documents supply the data essential for this analysis. State budget records provide current expenditure data by agency, including the original budget requests for each agency, the amount recommended for each agency by BCB, and the sum appropriated by the legislature.

The data for this analysis are drawn from the budget years 1969-1970 through 1975-1976. Thirty state agencies were selected for study.<sup>13</sup> A number of criteria were used to select the agencies included in the analysis. An attempt was made to include all agencies which had existed without major structural changes throughout the period of the study and which had received relatively substantial state appropriations. In addition, the selection process was designed to insure that representatives of a number of

<sup>11</sup> See Sharkansky, *Ibid.*; Ira Sharkansky and Augustus Turnbull, "Budget-Making in Georgia and Wisconsin: A Test of a Model," *Midwest Journal of Political Science*, 13 (November, 1969), pp. 631-645; and Andrew T. Cowart, Tore Hansen and Karl-Brik Brofoss, "Budgetary Strategies and Success at Multiple Decision levels in the Norwegian Urban Setting," *American Political Science Review*, 69 (June, 1975), pp. 543-558.

<sup>12</sup> The tendency of policy-makers to look for decisional 'cues' to simplify their tasks and help them avoid uncertainty is widely discussed in the 'incrementalist' literature, and in the literature dealing with legislative behavior. See (for a discussion of the former) Nicos P. Mouzelis, *Organization and Bureaucracy* (Chicago: Aldine, 1972) pp. 120-142. Also see R. M. Cyert and J. G. March, *A Behavioral Theory of the Firm*, (Englewood Cliffs: Prentice Hall, 1963) pp. 128-48.

<sup>13</sup> The agencies included in the analysis are: Budget and Control Board; Commission on Higher Education; University of South Carolina; Clemson University; Medical University of South Carolina; State Department of Education; State Board for Technical and Comprehensive Education; Educational Television Commission; South Carolina Arts Commission; Department of Health and Environmental Control; State Department of Mental Health; Department of Mental Retardation; Commission of Alcoholism and Drug Abuse; Department of Social Services; State Agency of Vocational Rehabilitation; Children's Bureau; Commission for the Blind; Department of Corrections; Probation, Parole and Pardon Board; Water Resources Commission; State Forestry Commission; Department of Agriculture; Wildlife and Marine Resources Department; Department of Parks, Recreation and Tourism; State Development Board; State Dairy Commission; Department of Labor; Alcoholic Beverage Control Commission; Department of Veterans Affairs; and Public Service Commission.

types of agencies (education, health, welfare, and natural resources) were included in order to permit comparative analysis across agency types.<sup>14</sup>

The initial task of this paper is the determination of the degree to which legislative appropriation decisions in South Carolina are influenced by the two variables mentioned above — agency acquisitiveness and BCB support for expansion. By examining the explanatory power of agency acquisitiveness and BCB recommendations, it is possible to identify the parameters within which the legislature exercises independent influence over final budgetary decisions.

### *Analysis by Agency Type*

The results of the initial simple correlation analysis by agency type are presented in Table One. Focusing on the relationships across all agencies for the entire seven year period, one notes that agency acquisitiveness and Budget and Control Board support for expansion are associated with agency budget success with the legislature. For the 1969-1970 to 1975-1976 period across all agencies, the simple correlation between agency acquisitiveness and budget expansion success is .29 (significant at the .001 level). Over the same period, the simple correlation between BCB support for expansion and budget expansion success is .58 (significant at the .001 level).

These results seem to indicate that past research findings concerning the influence of agency acquisitiveness and executive recommendations over legislative budget decisions are applicable to South Carolina. The relationships are positive and in both cases are high enough to meet the criterion of statistical significance. As reported in earlier studies,<sup>15</sup> the relationship between executive recommendations and budget expansion is stronger than the relationship between acquisitiveness and budget expansion success. BCB recommendations appear to influence legislative decisions more strongly than agency budget strategies.

Our interest, however, is not limited to the relationships between these variables for all types of agencies for the entire seven year period covered by this analysis. Table One also demonstrates that the relationships between acquisitiveness, BCB support for expansion, and budget expansion success vary depending upon the type of agencies being studied. Acquisitiveness and BCB support are associated significantly with budget expansion success in most cases and the relationship between BCB support and expansion success is stronger than the acquisitiveness-success relationship in all cases. The striking feature of Table One, however, is the variation in the strength of these relationships across agency types. The simple correlation coefficients for acquisitiveness and expansion success range from .27 for natural resource agencies to .67 for welfare agencies. The simple correlation coefficients for BCB support and expansion success range from .31 for natural resource agencies to .88 for education agencies.

While the findings reported in Table One generally support the conclusions drawn by past research dealing with state budgetary processes, the variation observed in the strength of the relationships across agency types points to two conclusions: 1) agency acquisitiveness may be a more effective strategy for some types of agencies than others, and 2) the influence of executive recommendations over legislative budget decisions

<sup>14</sup> Included as education agencies were: Commission on Higher Education; University of South Carolina; Clemson University; Medical University of South Carolina; State Department of Education; State Board for Technical and Comprehensive Education; and Educational Television Commission. Included as health agencies were: Department of Health and Environmental Control; State Department of Mental Health; and Department of Mental Retardation. Included as welfare agencies were: Department of Social Services; State Agency of Vocational Rehabilitation; Children's Bureau; and Commission for the Blind. Included as natural resources agencies were: Water Resources Commission; State Forestry Commission; Department of Agriculture; Wildlife and Marine Resources Department; and Department of Parks, Recreation and Tourism.



may vary from agency type to agency type. While a study of one state cannot arrive at definitive answers concerning the general applicability of these findings or at generalizable explanations of them, the findings reflected in Table One raise interesting questions worthy of further study and demand that some attempt at explanation be made.

The relatively low correlations between acquisitiveness and expansion success and BCB support and expansion success for natural resources agencies is one of the more striking findings presented in Table One. Compared to the other three types of agencies, the two independent variables have relatively little relationship to budget expansion success among natural resources agencies. In an attempt to explain this anomalous finding, the scores of the natural resources agencies for each of the three variables were re-examined. The deviation of these agencies from the general pattern found among the other three types of agencies can be attributed largely to the unusual budgetary circumstances of one agency — the Department of Wildlife and Marine Resources. In three of the seven fiscal years studied, this agency's appropriations actually exceeded the agency's budget requests. Needless to say, this is a most unusual budgetary event. We can only assume that certain political circumstances — not obvious to the researcher conducting a quantitative study of this sort — surround that agency and create a situation in which the legislature feels committed to funding the agency at unusually high levels.<sup>16</sup> The commitment of the legislature is so strong in this regard that it not only acts largely independent of BCB recommendations, but goes so far as to exceed actual agency requests in its final funding decisions.

In addition to the low relationships found for natural resource agencies, the high acquisitive-success relationship for welfare agencies stands out in Table One. Although much of the literature argues that agency acquisitiveness works most successfully for agencies which have strong levels of political support,<sup>17</sup> our analysis indicates otherwise. South Carolina is certainly not a state known for its support for welfare liberalism. (In fact, during the seven year period examined, the state welfare agencies expanded their budgets at a rate below the average for the other types of state agencies studied.<sup>18</sup>) Despite the lack of support for welfare programs in South Carolina, agency acquisitiveness has its strongest relationship with budget success among the state's welfare agencies.

Two possible explanations for this finding are offered. First, agencies possessing little effective political support may have to be more acquisitive in order to achieve even a minimal amount of expansion. Agencies with substantial political clout can expect support for agency expansion to arise from those interested in and supportive of the agency's programs, and thus may not need to push as aggressively in order to expand successfully. This interpretation leads us to conclude that stronger associations

<sup>15</sup> See Sharkansky, *Ibid.*

<sup>16</sup> One possible explanation of the legislature's unusual generosity toward the Department of Wildlife and Marine Resources centers around the influence of the Chairman of the Senate Committee on Finance. Prior to the passage of a Senate rule limiting members to a single committee, the Chairman of Senate Finance had been the chairman of the authorization committee dealing with the Department of Wildlife and Marine Resources. The Chairman has been reported to be an ardent supporter of this agency and its activities in his basically rural county. In other words, the agency appears to be a "pet" of the Senate's most influential member in the area of budgetary decisions.

<sup>17</sup> This contention is made both implicitly and explicitly in the literature. For explicit examples of the argument, see Sharkansky and Turnbull, *ibid.*; and Ira Sharkansky, "Four Agencies and an Appropriations Subcommittee: A Comparative Study of Budget Strategies," *Midwest Journal of Political Science*, 9 (August, 1965), pp. 254-281.

<sup>18</sup> Across the seven year period studied, the average welfare agency expanded its budget by 16.8 percent compared to 19.3 percent for natural resources agencies, 23.4 percent for education agencies, and 25.6 percent for health agencies.



between acquisitiveness and budget expansion success will be found among state agencies with low levels of support than among agencies with higher levels of support. A second explanation lies in the intergovernmental structure of state welfare programs. State politics and budget making does not take place in a vacuum. Federal programs and politics substantially influence state policy and politics. This influence is particularly pervasive in the area of welfare policy. Much of the money appropriated by the legislature for welfare programs generates additional federal dollars which otherwise would not enter the South Carolina economy. In other words, we are suggesting that the finding of a high degree of association between acquisitiveness and budget expansion success in state welfare agencies may mean that acquisitive budget strategies work more effectively for agencies whose programs generate matching federal dollars than for agencies whose programs are financed solely or predominantly by state dollars.

Our major concern, however, is the degree to which legislative budgetary decisions can be explained by the combined influence of agency acquisitiveness and BCB support for expansion. In order to explore this question, the statistical technique of multiple correlation analysis has been employed. The multiple correlation coefficient ( $R^2$  or the coefficient of determination) gives us a summary measure of the total amount of variation in the dependent variable "explained" by the two independent variables. If the  $R^2$ 's produced are high, we can conclude that the legislature is largely responding to agency budget strategies and BCB recommendations rather than acting as an independent influence in the South Carolina budget process. On the other hand if the independent variables exhibit little explanatory power, we can conclude that the legislature is largely independent of these two sources of external influence. Our assumption is that any variation in the dependent variable (agency budget expansion success) not explained by the independent variables (agency acquisitiveness and BCB support for expansion) results from independent legislative influence.<sup>19</sup>

Table Two indicates that the degree to which legislative appropriations decisions can be explained by agency acquisitiveness and BCB support for expansion varies substantially across agency types. While the two independent variables are able to explain 77 percent of the variance in the agency budget success of education agencies, the same two variables account for only 12 percent of the variance in the budget success of natural resources agencies. These results indicate that independent legislative influence is not constant across all types of agencies and is particularly high in the case of natural resources agencies.

These results point to the dangers involved in budgetary analyses which examine the relationship between acquisitiveness, executive recommendation, and budget expansion success across a sample of state agencies without examining the relationships which exist among significant sub-groupings of state agencies. If one were to focus attention only on the overall explanatory power of the two independent variables across all agencies, the coefficient of determination of .34 would lead one to conclude that legislative budget decisions in South Carolina are influenced by agency acquisitiveness and BCB recommendations to a significant degree but that one must look elsewhere (perhaps to the legislature itself) in order to explain the remaining 66 percent of the variance in agency budget expansion success. By examining the relationships between acquisitiveness, BCB support, and budget expansion success in sub-groups of state agencies, however, one quickly notes that this relatively low level of

<sup>19</sup> We recognized that this assumption is problematical. Other extra-legislative variables not included in this analysis could well explain the remaining variation in agency budget success. The degree of unexplained variance discovered in this analysis, however, can be taken as an indication of the maximum possible legislative influence over agency budget expansion. The amount of legislative influence could of course be less than this maximum amount.

explanation is largely the result of an exceptionally low level of explanation achieved in one particular type of agency sub-group — natural resources agencies. For all other types of agencies, the two independent variables explain over 50 percent of the variation in agency budget success reaching a high of 77 percent for education agencies.

To this point, our analysis of the relationship between agency acquisitiveness, BCB support for expansion, and agency budget expansion success across types of agencies leads to the following conclusions:

- 1) agency acquisitiveness and BCB recommendations are important influences over legislative budgetary decisions;
- 2) BCB recommendations have a greater impact on legislative decisions than agency acquisitiveness;
- 3) the explanatory power of agency acquisitiveness and BCB support for expansion varies considerably across agency types and is particularly low for natural resources agencies;
- 4) agency acquisitiveness as a budgetary strategy is more effective for some types of agencies than for others and is particularly effective for welfare agencies;
- 5) the strong relationship between acquisitiveness and budget expansion success for welfare agencies may indicate that a) budget expansion success for agencies with little political support is more dependent upon agency acquisitiveness since little other support can be expected, and/or b) agency acquisitiveness is a more productive budget strategy for agencies conducting programs in which state appropriations are matched by federal funds; and
- 6) budgetary analyses in which attention is focused on the relationships between acquisitiveness, executive recommendations, and agency budget expansion success across a sample of state agencies may obscure important differences in these relationships which exist among significant sub-groupings of state agencies.

### *Analysis Across Time*

Our focus on one state makes it easier to extend our analysis across time. This section of the study presents the results of a longitudinal analysis of the relationships between agency acquisitiveness, BCB support for expansion, and agency budget expansion success.

Table Three demonstrates that the relationships between these key budgetary variables are not constant over time. Substantial variation in the magnitude of the simple correlation coefficients between the two independent variables and the dependent variable exists across the seven years included in this analysis. The simple correlation for acquisitiveness and budget expansion success ranges from .02 (in 1971-72 and 1975-76) to .76 (in 1973-74). Similarly, the simple correlation coefficient for BCB support and budget expansion success ranges from .13 (in 1972-73) to .96 (in 1971-72).

The results of the multiple correlation analyses for each of the fiscal years (presented in Table Four) emphasize the year-to-year shift in the explanatory power of the two independent variables more effectively. When multiple correlation analyses are performed for each of the seven budget years, one finds that the explanatory power of the independent variables ranges from a high of .92 in fiscal year 1971-72 to a low of .33 in fiscal years 1972-73 and 1974-75. In some years, legislative appropriations appear to be dependent largely upon agency budget strategies and BCB recommendations. In other years, legislative actions appear to be relatively independent of these influences. Generalizations about the extent of influence over budget decisions enjoyed by state agencies, the Budget and Control Board, and the legislature, which ignore the dimen-



sion of time, would appear to be ill advised. Table Four presents a rather complicated picture of shifting patterns of influence over time and raises some significant and interesting questions: Why does the dependency of the legislature on the decisional cues provided by agency requests and BCB recommendations vary from year to year? Do the years of high dependency on external decision cues have any common features? Do the years of low dependency share common features? At this point, we can arrive at some exploratory and tentative answers to these questions.

A glance at the results of the multiple correlation analysis for all seven years quickly reveals that BCB support for expansion is contributing a greater share of the explained variation in agency budget success than is agency acquisitiveness (a partial correlation coefficient of .53 compared to a partial of .08). A further look at Table Four reveals that in three fiscal periods (1969-70, 1972-73, and 1974-75) the independent variables combined explain less than 50 percent of the variation in agency budget success. In these years, one might expect to find lower levels of explanatory effectiveness for both of the independent variables. Table Four demonstrates that this is not the case. The explanatory power of agency acquisitiveness is generally higher in these three fiscal years. On the other hand, a consistent pattern of substantially weaker relationships between BCB support and agency budget success is evident. In other words, we can more accurately say that these years represent periods in which the legislature is unusually non-responsive to the budgetary recommendations of BCB and slightly more responsive to agency budgetary strategies.

To this point, we have noted substantial variation in the ability of agency acquisitiveness and BCB support for expansion to explain agency budget success in the legislature. We have also discovered that this variation is attributable to year-to-year changes in the responsiveness of the legislature to the recommendations of BCB. Our attention now turns to the question of whether the years in which high explanatory effectiveness is achieved are in any way different from the other years included in the analysis.

The four fiscal periods in which agency acquisitiveness and BCB support for expansion account for over 50 percent of the variation in agency budget expansion are also years in which agency budget expansion success falls below the average for the total seven year period. For the seven year period, the average agency increased its budget by 19.6 percent over the previous year's expenditure level. For the four years in which the legislature was most dependent upon external decision cues, the average agency budget increased by only 10.8 percent. In the three years characterized by low dependency on external decision cues, the average agency budget increased by 31.6 percent. There is evidence then to suggest that budgetary decisions of the legislature are less dependent upon BCB recommendations in relatively "good" budget years, i.e., years in which the state budget expands at a more rapid than normal pace.

The legislature's greater relative independence from the recommendations of BCB in "good" budget years can be explained by the traditional budgetary roles of BCB and the legislature. For the seven year period examined, the average agency request was for 38.1 percent increase over the past year's funding level. Over the same period, the BCB recommended an average increase of only 10.2 percent. The legislature actually appropriated an average increase of 19.6 percent. Thus the usual budget pattern is for the legislature to appropriate less than the amount requested by the agency but more than the amount recommended by BCB. Years in which the legislature is more successful in restoring such cuts are years in which budget expansion is relatively high and years in which the legislature is less mindful of BCB recommendations.

Given South Carolina's constitutional prohibition against deficit spending, the influence of the legislature in the budgetary process is largely dependent upon the revenue forecasts for the upcoming year. If incoming revenues appear available, the

legislature can restore BCB cuts with relative ease and play a major independent role in the budgetary process. Lean state revenue forecasts restrict the discretion of the legislature in restoring BCB cuts and make the legislature increasingly dependent upon the budget recommendations of BCB. In addition, BCB traditionally estimates revenue forecasts conservatively in order to insure that state spending will not exceed state revenue. Since BCB recommendations are made at an earlier point in the budget process, later revenue projections are usually higher than the initial estimates used by BCB. These higher revenue projections enable the legislature to distribute these "additional" revenues to state agencies in addition to the original estimates of BCB. If state revenue projections remain the same or decline, the legislature can only restore one agency's budget cuts by taking an equivalent amount of dollars from the budgets of another agency or group of agencies. Given the controversy which surrounds such decisions "to rob Peter in order to pay Paul," it is not surprising that the legislature generally opts to follow the original BCB recommendations in lean budget years.

Our analysis of the influence of agency budget strategies, BCB recommendations, and legislative appropriations across time leads to the following conclusions:

- 1) the dependency of the legislature on the decision cues provided by state agencies and BCB varies considerably over time;
- 2) this variation in legislative dependence upon external decision cues is largely the result of varying legislative dependence on BCB recommendations;
- 3) variation in legislative dependence upon BCB recommendations is associated with variation in the rate of growth in the state budget, i.e., years in which the state budget expands at a higher than normal rate are years in which the legislature is influenced to a lesser degree by the decisions of BCB;
- 4) the combination of the legislature's role as a restorer of BCB recommended budget cuts and the state's constitutional injunction against deficit spending means that the legislature can more easily play an independent role in the budgetary process in those years in which anticipated revenues appear to be relatively ample in relation to agency requests and in which later revenue projections are higher than the earlier projections utilized by BCB.

### *Summary*

A number of conclusions, or observations, are appropriate in light of the analysis this paper has attempted. Most immediately, it is apparent to us that factors both internal and external to state agencies affect their relative success in expanding their budgets. Both agency acquisitiveness (an internal factor, in this context) and BCB support (an external factor) appear to be associated with budget expansion success. In selected years, legislative support (also an external factor) seems to be important. Awareness of the importance of agency acquisitiveness as a determinant of an agency's budget success should free us from the notion that agencies' budgets are solely dependent variables, whose sizes and shapes are determined by forces external to the agencies themselves. While the agency's final budget is, of course, a dependent variable in this context, we must remember that one of the independent variables responsible for shaping it may well be the budgeting strategy adopted by the agency itself.

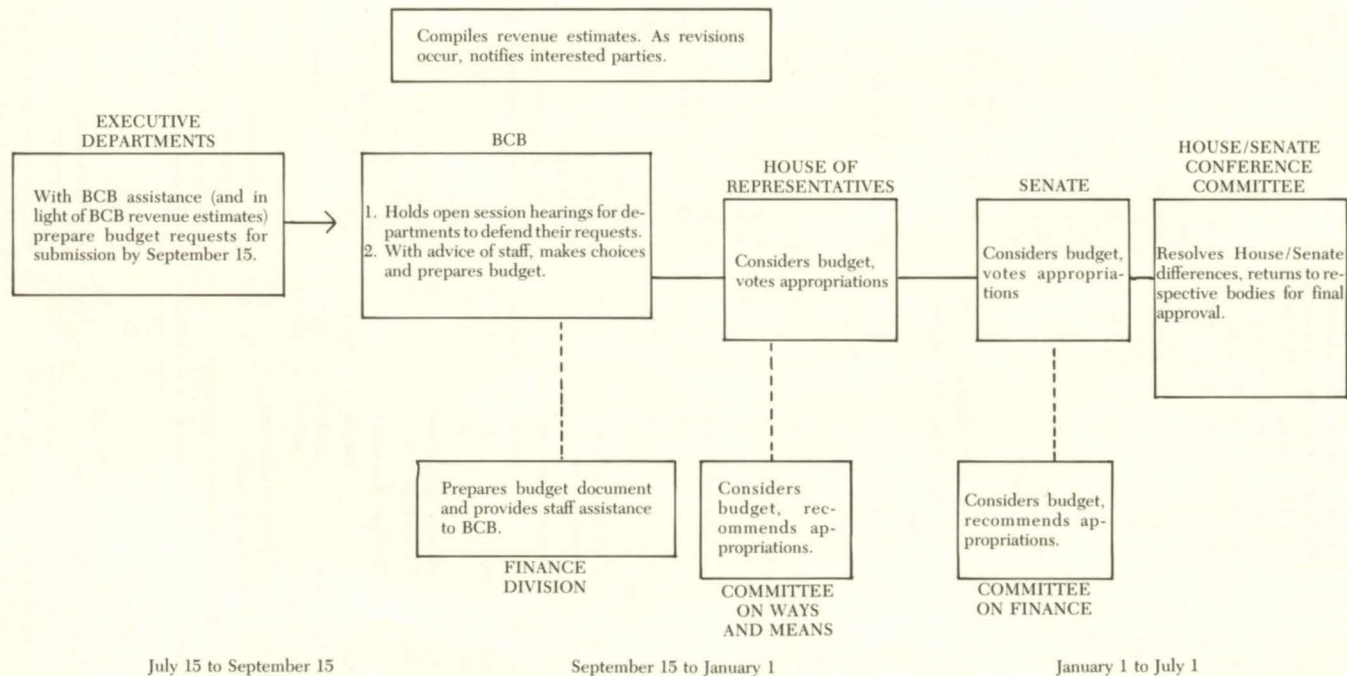
Our analysis sheds some light, we feel, on literature previously published on state government budgeting. Most important, it uncovers significant year-to-year, and agency-to-agency differences in the extent to which South Carolina conforms to the model developed by Sharkansky to explain influence patterns in state budgeting. As Tables Two and Four noted, the combined explanatory power of agency acquisitiveness and BCB support differs considerably from year to year, and from agency-type to



agency-type, indicating that the South Carolina budgetary process is not a static phenomenon susceptible to easy categorization. This finding, it would seem, illustrates the complexity of state budgeting and calls into question typologies of state budgeting processes which are based on single year observations and which treat all state agencies as a single category.

A final conclusion concerns the considerable utility of the case study approach in attempting to examine the budgetary processes of the states. No look at South Carolina's budgetary process could be complete or accurate without an awareness of the constitutional and institutional contexts in which that process takes place. Without such an awareness, for example, we would not have been able to understand the connection between revenue estimates and the extent of independent legislative influence over budgetary decisions. Budget-making, like other forms of policy-making, occurs in and is affected by an environment. The case study approach is an approach well suited to create an awareness of that environment's importance.

FIGURE 1  
THE SOUTH CAROLINA BUDGETARY PROCESS  
RESEARCH/STATISTICAL  
DIVISION





**TABLE ONE.** Coefficients of Simple Correlation Between Agency Budget Expansion Success and the Independent Variables, by Type of Agency

Type of Agency	Agency Acquisitiveness	BCB Support for Expansion
All Agencies	.29***	.58***
Education	.47***	.88***
Health	.43*	.73***
Welfare	.67***	.82***
Natural Resources	.27	.31*

\*\*\* = Significant at .001 level.

\* = Significant at .05 level.

**TABLE TWO.** Results of Multiple Correlation Analysis, by Agency Type

All Agencies		
Variable	Simple	Partial
Acquisitiveness	.29***	.08
BCB Support	.58***	.53***
Multiple Correlation Coefficient		.58
Coefficient of Determination		.34
Education Agencies		
Variable	Simple	Partial
Acquisitiveness	.47***	.10
BCB Support	.88***	.84***
Multiple Correlation Coefficient		.88
Coefficient of Determination		.77
Health Agencies		
Variable	Simple	Partial
Acquisitiveness	.43*	.12
BCB Support	.73***	.66***
Multiple Correlation Coefficient		.74
Coefficient of Determination		.54
Welfare Agencies		
Variable	Simple	Partial
Acquisitiveness	.67***	.15
BCB Support	.82***	.64***
Multiple Correlation Coefficient		.82
Coefficient of Determination		.68
Natural Resources Agencies		
Variable	Simple	Partial
Acquisitiveness	.27	.15
BCB Support	.31*	.23
Multiple Correlation Coefficient		.34
Coefficient of Determination		.12

\*\*\* = Significant at the .001 level.

\*\* = Significant at the .01 level.

\* = Significant at the .05 level.

**TABLE THREE.** Coefficients of Simple Correlation Between Agency Budget Expansion Success and the Independent Variables, by Year

Year	Agency Acquisitiveness	BCB Support for Expansion
Overall	.29***	.58***
1969-70	.49***	.65***
1970-71	.35*	.82***
1971-72	.02	.96***
1972-73	.57***	.13
1973-74	.76***	.86***
1974-75	.45	.56***
1975-76	.02	.72***

\*\*\* = Significant at .001 level.

\* = Significant at .05 level.

**TABLE FOUR.** Results of Multiple Correlation Analysis, by Year

All Years		
Variable	Simple	Partial
Acquisitiveness	.29***	.08
BCB Support	.58***	.53***
Multiple Correlation Coefficient		.58
Coefficient of Determination		.34
1969-1970		
Variable	Simple	Partial
Acquisitiveness	.49***	.22
BCB Support	.65***	.53***
Multiple Correlation Coefficient		.67
Coefficient of Determination		.45
1970-1971		
Variable	Simple	Partial
Acquisitiveness	.35*	.19
BCB Support	.83***	.80***
Multiple Correlation Coefficient		.82
Coefficient of Determination		.68
1971-1972		
Variable	Simple	Partial
Acquisitiveness	.02	.11
BCB Support	.96***	.96***
Multiple Correlation Coefficient		.96
Coefficient of Determination		.92
1972-1973		
Variable	Simple	Partial
Acquisitiveness	.57***	.56***
BCB Support	.13	.05
Multiple Correlation Coefficient		.75
Coefficient of Determination		.33

1973-1974			1975-1976		
<i>Variable</i>	<i>Simple</i>	<i>Partial</i>	<i>Variable</i>	<i>Simple</i>	<i>Partial</i>
Acquisitiveness	.76***	.61***	Acquisitiveness	.02	-.09
BCB Support	.86***	.79***	BCB Support	.72***	.72***
Multiple Correlation Coefficient		.92	Multiple Correlation Coefficient		.72
Coefficient of Determination		.84	Coefficient of Determination		.52
1974-1975			*** = Significant at the .001 level.		
<i>Variable</i>	<i>Simple</i>	<i>Partial</i>	** = Significant at the .01 level.		
Acquisitiveness	.45	-.14	* = Significant at the .05 level.		
BCB Support	.56***	.40*			
Multiple Correlation Coefficient		.58			
Coefficient of Determination		.33			